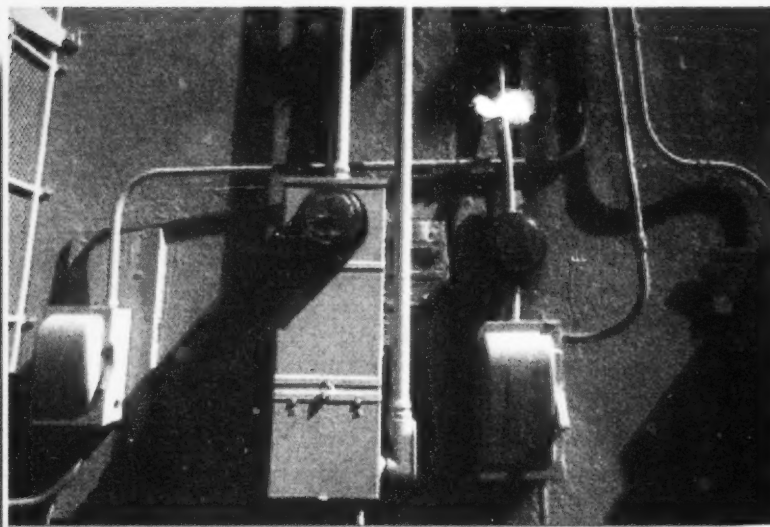




Public Utilities Board
of the
Northwest Territories



2003
Annual Report

**PUBLIC UTILITIES BOARD
OF THE NORTHWEST TERRITORIES**

ANNUAL REPORT

**For the year ending
December 31, 2003**

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**Northwest
Territories** Minister Responsible for the Public Utilities Board

The Honourable Glenna Hansen
Commissioner of the Northwest Territories

I take pleasure in submitting the Annual Report of the Northwest Territories
Public Utilities Board for the calendar year ending December 31, 2003.

A handwritten signature in cursive script, reading 'Henry Zoë'.

Henry Zoë
Minister

Attachment



Northwest
Territories Public Utilities Board

February 2, 2004

The Honourable Henry Zoe
Minister Responsible for the
Public Utilities Board
of the Northwest Territories

Dear Minister:

I am pleased to submit the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 2003, in accordance with the provisions of Section 16. (1) of the *Public Utilities Act*.

Yours truly,

John E. Hill
Chairperson

THE PUBLIC UTILITIES BOARD

Mandate

The Northwest Territories Public Utilities Board ("**Board**") is an independent regulatory agency of the Territorial Government operating under and administering the *Public Utilities Act* ("**the Act**"). The Board is primarily responsible for the regulation of energy utilities in the Northwest Territories ("**NWT**"), to ensure that the rates charged for energy are fair, just and reasonable. It is also responsible for ensuring utility operators provide safe, adequate and secure services to their customers.

Board Organization

The Board consists of a part time Chairperson and three part time members. The Board Secretary, who reports to the part time Chairperson, administers the office. As the chief executive officer, the Chairperson presides over sittings of the Board and supervises Board employees.

The position of Chairperson has been part time since April 1, 2001.

The Board operates efficiently with a part time Chairperson, a full time Board Secretary and outside counsel and consultant. Because of the technical nature of the work, the Board is dependent on specialized outside assistance. No changes are contemplated, as the arrangement is cost effective.

The Minister Responsible for the Board, upon the recommendation of the Executive Council appoints members of the Board. At present, the Board consists of the following persons:

Chairperson	John E. Hill, Devon, Alberta
Vice-Chairperson	Gene Nikiforuk, Inuvik, Northwest Territories
Member	Gabrielle Decorby, Yellowknife, Northwest Territories
Member	Joe Acorn, Yellowknife, Northwest Territories

The Board is assisted by:

Board Secretary	Louise Larocque, Hay River, Northwest Territories
Legal Counsel	John Donihee Barrister and Solicitor, Calgary, Alberta
Consultant	Raj Retnanandan, Energy Management & Regulatory Consulting Ltd., Edmonton, Alberta

REGULATORY JURISDICTION

Following are the utilities subject to the Board's jurisdiction:

Northwest Territories Power Corporation

Head Office: Hay River, Northwest Territories

Stittco Utilities NWT Ltd.

Head Office: Hay River, Northwest Territories

Northland Utilities (NWT) Limited

Head Office: Hay River, Northwest Territories

Northland Utilities (Yellowknife) Limited

Head Office: Yellowknife, Northwest Territories

The Town of Norman Wells

Head Office: Norman Wells, Northwest Territories

Aadrii Ltd.

Head Office: Yellowknife, Northwest Territories

Inuvik Gas Ltd.

Head Office: Inuvik, Northwest Territories

UTILITY REGULATION

The need for regulation arises because utilities generally provide service on a monopoly basis without the economic controls of competition. The Board is the proxy for competition and attempts to ensure efficiency and fair pricing. The principles of rate regulation rest on fairness to both the utility and the consumer.

Energy utilities, as defined in the Act, are subject to Board regulation. The Board's principal responsibility is to ensure that each utility provides safe, adequate service at rates, which are just and reasonable. When setting rates the Board must balance the competing interests of consumers, and the utilities. Rates are set through a public hearing process. The Board's objective through the hearing process is to guarantee that the public interest is served, and protected.

Public involvement is an essential component of the regulatory process. The Board ensures the opportunity for public participation by directing the applicant to publish a notice, approved by the Board, advising that a hearing be to be held to consider the application. The notice may be published in newspapers throughout the utility's service area, or through notice to each customer in monthly billings, or such other notice to the public that the Board considers appropriate.

The Board has the authority to award costs at the conclusion of a hearing. Intervenors before the Board may receive up to 100% of their reasonably incurred costs provided that, in the Board's opinion, the intervention contributed in a meaningful way to the Board's understanding of the application.

Intervenors are interested parties who register with the Board and receive copies of the application and all written questions and answers.

Intervenors may take an active role in the hearing process. They may submit written questions, give evidence, call expert witnesses, and cross-examine the applicant. The applicant as well as other intervenors is provided the opportunity to cross-examine the intervenor and the intervenor's expert witnesses. Alternatively, the intervenor may choose to not actively participate in the hearing, but simply receive all available information.

After hearing and reviewing the evidence, the Board issues its decision outlining the Board's determination of the application. The Board may turn down the rate change, modify it, or approve the entire request.

The Board also approves major capital projects, the issuance of long-term debt and franchise agreements.

2003 HIGHLIGHTS

The Board's major activity during 2003 was concluding the Northwest Territories Power Corporation's ("**NWTPC**") General Rate Application proceedings; setting final rates and approving Terms and Conditions of Service. The Board also dealt with other matters that are detailed in the decision summary.

During the year Board members participated in the educational conference hosted by the Canadian Association of Members of Public Utilities Tribunals ("**CAMPUT**"). CAMPUT is the Board's primary resource for providing staff and board members with training and education in areas of utility regulation.

In addition, the most recent appointment to the Board, Mr. Joe Acorn, attended the two-week Annual Regulatory Studies Program at Michigan State University. The program is intensive, with many hours of classroom lectures, workshops and discussions and Mr. Acorn found it a valuable learning experience.

A LOOK AHEAD

During the coming year, Northland Utilities (Yellowknife) Limited ("**Northland Yk**") and Northland Utilities (NWT) Limited ("**Northland NWT**") will provide the Board with annual financial statement and capital expenditure information. The Board will undertake a full review of the affairs, earnings and accounts of the two utilities.

The Board anticipates that its Website will be in place during 2004.

SUMMARY OF 2003 BOARD DECISIONS

DECISION 1-2003

January 27, 2003

Application:

By letter dated December 9, 2002, Northland NWT applied to the Board for approval to issue a long term instrument in the amount of \$625,000, by way of an unsecured debenture with an interest rate of 6.21% to ATCO Electric Ltd.

Order:

After reviewing the application, the Board approved the issuance of a Debenture in the principal amount of \$625,000 to ATCO Electric Ltd. at an interest rate of 6.21%.

DECISION 2-2003

January 27, 2003

Application:

By letter dated December 9, 2002, Northland Yk applied to the Board for approval to issue a long term instrument in the amount of \$7,100,000, by way of an unsecured debenture with an interest rate of 6.21% to ATCO Electric Ltd.

Order:

After reviewing the application, the Board approved the issuance of a Debenture in the principal amount of \$7,100,000 to ATCO Electric Ltd. at an interest rate of 6.21%.

DECISION 3-2003

June 26, 2003

Application:

On September 6, 2002, NWTPC filed its Phase II General Rate Application for the fiscal years April 1, 2001 to March 31, 2002 and April 1, 2002 to March 31, 2003 ("**Phase II GRA**"), to determine appropriate rates for their customers. In its Phase II GRA, NWTPC requested approval to levelize the rates across the NWT.

NWTPC, by letter dated October 17, 2002, requested approval to withdraw its Phase II GRA for levelized rates. NWTPC advised that it would re-file its Phase II GRA to apply for community based cost of service rates.

On November 12, 2002, NWTPC re-filed it's Phase II GRA. The Phase II Application requested an Order or Orders from the Board:

1. Approving NWTPC's proposed retail and wholesale rates for the test years 2001/02 and 2002/03;
2. Approving the revised Terms and Conditions of Service.

Order:

The Board directed NWTPC to publish notice of a public hearing of the Phase II GRA in newspapers that circulate in the Northwest Territories. The notice, published in November and December 2002, included details of the Phase II GRA, and invited interested persons to file a request with the Board for intervenor status.

Intervenors were provided an opportunity to make information requests of NWTPC and file evidence.

The Board advertised and scheduled a hearing for April 9 – 11, 2003 in Yellowknife and for April 14, 2003 in Inuvik.

The Board, after reviewing the information provided and the testimony of witnesses, issued its decision and provided NWTPC with a number of directives. NWTPC was ordered to prepare and file the information required to comply with the directions contained in Decision 3-2003.

The interim rates and shortfall riders approved by the Board in Decisions 5-2001, 6-2001, 8-2002 and 9-2002 were made final.

The Board also approved NWTPC's Terms and Conditions of Service subsequent to some revisions and deletions.

DECISION 4-2003

August 8, 2003

Application:

By letter dated July 9, 2003, the Counsel for the Village of Fort Simpson, Hamlet of Fort Liard and Liidlí Kue First Nation, Mr. A.O. Ackroyd, made an Application to the Board for intervenor costs in an amount of \$60,671.36 with respect to NWTPC's 2001/02 Shortfall Rider and 2002/03 Interim Refundable Rates Application, NWTPC's 2001/02 and 2002/03 Phase II GRA for levelized Rates (withdrawn), NWTPC's Phase II 2001/02 and 2002/03 Phase II GRA and NWTPC's Project Permit Application (Purchase of Bluefish Generating Station).

Order:

The Board reviewed and approved the intervenor costs applications, as submitted.

DECISION 5-2003

September 2, 2003

Application:

By letter dated February 28, 2003, Inuvik Gas Ltd. ("IGL") advised the Board that it proposed to increase its gas rates effective May 1, 2003. The Town of Inuvik ("Town") was advised of the proposed increase at the same time.

The Town, in a letter dated March 24, 2003, advised the Board that it opposed the proposed rate increase and requested the Board to review the earnings and accounts of IGL.

Order:

The Board undertook a written review of the complaint, providing opportunities for both parties to issue and respond to information requests with final submissions being made in late June 2003.

The Board reviewed all submissions made by the parties and issued Decision 5-2003 in which it dismissed the complaint by the Town.

The Board directed IGL to file on a monthly basis, a report on the average monthly cost of diesel fuel, P50 heating oil and propane in Inuvik as well as the corresponding IGL rates for natural gas and a calculation of the percentage discount offered by IGL in relation to competitive fuels. IGL was also directed to file its audited financial statements annually with the Board with a copy to the Town.

Each party was required to bear its own costs.

DECISION 6-2003

September 17, 2003

Application:

The City of Yellowknife ("the City"), by letter dated July 21, 2003 applied for review and variance of Board Decision 3-2003.

Order:

After reviewing the application and the written submissions provided by the City and NWTPC, the Board dismissed the application to review and vary Decision 3-2003. However, the Board considered it appropriate to provide further refinements to its findings respecting issues in the Snare Yellowknife system, and ordered NWTPC to submit a second refiling, including rates, to reflect the changes reflected in this Decision and the concurrent Decision 7-2003.

DECISION 7-2003

September 17, 2003

Application:

In Board Decision 3-2003, NWTPC was requested to respond to a number of Board Directives and make revisions to its Terms and Conditions of Service. The Board established a written process for examination and comments arising from the refiling.

Order:

The Board after reviewing the information provided, ordered NWTPC to prepare and file a second refiling incorporating the changes to the Phase II refiling determined in this decision and the concurrent Decision 6-2003.

The Board approved the revised Terms and Conditions of Service.

DECISION 8-2003

October 6, 2003

Application:

By letter dated September 24, 2003, NWTPC submitted responses to Decision 6-2003 and 7-2003, together with final rate schedules effective November 1, 2003.

Order:

The Board reviewed the information filed by NWTPC. The directions in Decisions 6-2003 and 7-2003 were carried out to the Board's satisfaction. The Board approved the rate schedules effective November 1, 2003.

DECISION 9-2003

October 7, 2003

Application:

By letter dated July 25, 2003, the Counsel for the Association of Municipalities for Fair Power Rates ("**the Association**"), Mr. Craig Haynes, made an Application for intervenor costs in an amount of \$83,948.10 with respect to NWTPC's 2001/02 and 2002/03 Phase II GRA.

By letter dated September 4, 2003, Mr. Haynes submitted a supplementary application for costs in an amount of \$2,325.28.

Order:

The Board reviewed and approved intervenor costs of \$77,286.04 to reflect the cost claimed by the Association less 10%.

DECISION 10-2003**October 29, 2003****Application:**

By letters dated October 17, 2003, Northland NWT filed three applications to increase the existing Rider F, Rider I and Rider A.

Order:

The Board reviewed the schedules and information provided by Northland NWT and approved the rate riders, effective November 1, 2003.

DECISION 11-2003**October 29, 2003****Application:**

By letters dated October 17, 2003, Northland YK filed two applications to increase the existing Rider C and to approve a change in the Yellowknife franchise tax rate.

Order:

The Board reviewed the schedules and information provided by Northland YK and approved the Rider C and the proposed franchise tax rate, effective November 1, 2003.

DECISION 12-2003**October 29, 2003****Application:**

On September 30, 2003, the City of Yellowknife, Town of Hay River and Town of Fort Smith made an Application for intervenor costs in an amount of \$65,105.46 pertaining to NWTPC's Phase II GRA.

Order:

The Board reviewed and approved the intervenor costs as submitted.

DECISION 13-2003**October 29, 2003****Application:**

By letter dated October 6, 2003, the City made an Application for intervenor costs in an amount of \$14,069.99 pertaining to NWTPC's Project Permit Application to purchase the Bluefish Hydroelectric Generation Station.

Order:

The Board reviewed and approved the intervenor costs as submitted.

